Special Forces Pension Plan Board

Annual Report
1987

Alberta

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Alberta

SPECIAL FORCES PENSION PLAN BOARD
1203, Legislature Annex, 9718 - 107 Street, Edmonton, Alberta, Canada T5K 1E4 403/427 - 7105

August , 1988

The Honourable Dick Johnston
Provincial Treasurer

Sir:

I have the honour to submit to you the second annual report of the Special Forces Pension Plan Board for the period January 1, 1987 to December 31, 1987. The report outlines the role and responsibilities of the Special Forces Pension Plan Board and the activities undertaken during the fourteen month period under review.

Respectfully submitted,

J. E. Faries
Chairman

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Introduction

The calendar year 1987 is the second full year of operation of the Special Forces Pension Plan Board, which was established effective November 1, 1985 under the Special Forces Pension Plan Act.

The main responsibilities of the Board are to hear appeals of administrative decisions made on pensions and to advise the Minister responsible for public service pensions on matters relating to the Plan.

The Honourable Dick Johnston, Provincial Treasurer, is the Minister responsible for public service pensions. The day-to-day administration of the Plan is conducted by Payroll and Pensions Division of Alberta Treasury.

In February 1987, the Minister met with the Board and the boards of the five other government administered and guaranteed pension plans. Mr. Johnston discussed the funding and policy review of the plans being undertaken by his department. He invited advice from the boards and assured board members that they will have an opportunity for response to any proposals which may be developed.

The Board

Members

The Act provides that the Board shall consist of not fewer than five persons appointed by the Lieutenant Governor in Council, one of whom is appointed from among participants and another from among persons nominated by the employers.

Mr. S. Shields, an Alberta Police Federation representative, resigned before the completion of his term and was replaced by Mr. M. Dungey. He had served with this Board from its inception and also served under the former Board since the establishment of the Plan in 1979. The Board acknowledges the excellent contribution of Mr. Shields to both Boards.

The terms of members with expiry date of April 1, 1987 were extended to April 1, 1991.

Brief biographies of members are provided on the following page.

Special Forces Pension Plan Board Members

as at December 31, 1987

J. E. Faries

Mr. Faries brings to the Board considerable background in pension policy and administration. He served over fifteen years as Director of the Pension Administration until December 31, 1979. Currently he holds several senior positions on other boards and community organizations. Mr. Faries is Chairman of the Board. His term of office expires April 1, 1991.

A. F. (Chip) Collins

Mr. Collins served as Deputy Provincial Treasurer from 1972 until his retirement in 1984. He brings to the Board extensive financial and administrative experience as well as senior public service experience. Mr. Collins, the government representative, is Vice-Chairman of the Board. His term expires April 1, 1991.

M.P. Dungey

Mr. Dungey joined the Calgary Police Service in 1971. Since that time his police work has been in many areas, and currently he is on the Criminal Investigation Unit. For the past ten years, he has been on the Board of Directors of the Calgary Police Association. In May 1987 he was appointed President of the Alberta Police Federation. His term expires April 1, 1992.

G. Hopman

Mr. Hopman was appointed to the Board on June 26, 1986. He has held various posts with the City of Lethbridge since 1958 before assuming his current position of Personnel Director. He is a sessional instructor at the School of Management with the University of Lethbridge and also a member of the Labour Relations Advisory Committee of the Alberta Urban Municipalities Association. His term on the Board expires April 1, 1991.

N. E. Koch

Mr. Koch entered the Royal Canadian Mounted Police in 1951 serving till 1955. He then joined the Edmonton City Police, and served to his retirement in 1983. Mr. Koch has been heavily involved in police union activities, serving as President of the Edmonton Police Association, President of the Alberta Federation of Police Associations and as Director, Canadian Police Association. He is currently business manager of the Edmonton Police Association. His term expires April 1, 1991.

J. A. Pare

Mr. Pare was appointed to the Board effective November 1, 1985. He is currently General Manager, Personnel, City of Edmonton. He previously served as Assistant Deputy Post-master General and Vice President of Canada Post. He also has extensive management experience in private industry. His term expires on April 1, 1991.

Program Delivery

A support staff provides services to this Board and to the Boards of the five other government administered pension plans. Pension Appeals Officers provide assistance to persons preparing appeals.

Board members, except for the Chairman, serve on a part-time basis and do not receive remuneration for service on the Board. The Chairman also serves as chairman of the boards of the five other government administered pension plans.

To assist the Board in its advisory role, employees, employers, and interested groups are encouraged to express their views and concerns on policy issues to the Chairman. Where appropriate, presentations on an issue may be made to the Board as a whole.

The Board met six times in the period under review. Board minutes are recorded but are not made public.

Applications and Appeals

Provisions

The Plan provides that application may be made to the Board for time limit extensions or change of benefit choice. It also provides that a party aggrieved by a decision of the Minister may appeal to the Board. The provisions of the Act dealing with applications and appeals are Sections 10 and 35 respectively, and may be referenced in Appendix A.

Application may also be made to the Board for extension of time limits under the reciprocal agreement with the Local Authorities Pension Plan. The following time limits apply; that there not be a break of more than 3 months between ceasing contributions with the exporting plan and commencing contributions to the importing plan, and that application for transfer must be made within one year of becoming a contributor under the importing plan.

Procedure

A Notice of Appeal form, prescribed by the Minister, is normally provided with adverse administrative decisions. This form must be completed and submitted in filing an appeal and may also be used for applications for time limit extensions.

The brochure "Appeal Process - Guidelines for Members of Alberta Pension Plans" was developed by the Board and is available to a party preparing an appeal. Limited assistance to appellants is available from the Chairman's office. The individual may seek advice on what facts should be gathered and how they should be presented.

In October 1987, the Board adopted the procedure of notifing the employer of the appellant or applicant upon receipt of the Notice of Appeal.

Also in October 1987, the Board delegated its authority to the Chairman to identify persons who may be interested in the appeal and to give directions as to the persons to be served with the Notice of Appeal. However, a decision of the Chairman to refuse to allow a person to attend a hearing is to be referred to the Board for final decision.

Though hearings are conducted in an informal manner, the Board adheres to the rules of natural justice.

For the hearing of appeals and applications, two members, one of whom represents an employee group, plus the Chairman constitutes a quorum.

The parties to an appeal are normally advised of the Board's decision within 2 weeks of the hearing.

A rehearing may be held at the discretion of the Chairman, if additional information or evidence is available.

The Chairman may reimburse appellants and applicants appearing before the Board with reasonable travel and subsistence expenses. This ensures that each appellant and applicant has the opportunity to appear and present his case irrespective of his place of residence.

Appeal Summary

Two appeals were decided by the Board in 1987.

One appeal was against the Minister's decision to suspend the Special Forces Pension due to re-employment, pursuant to Section 20 of the Regulation. The appellant retired under the Special Forces Pension Plan and a few years later became employed with the same local authority in a capacity other than a police officer. In this case the Board agreed that the appellant was "engaged to work for an employer" under the Act, therefore, confirmed the decision of the Minister that the pension should be suspended.

In the second appeal, a participant who was granted a partial disability pension pursuant to Section 23(2) of the Act, appealed for a total disability pension as provided in Section 23(1) of the Act. The Board was not satisfied of his total incapacity for gainful employment and therefore denied the appeal. The participant appealed the Board's decision. The Court of Queen's Bench vacated the Board's decision and remitted the matter back to the Board for re-hearing. The matter was not concluded in 1987.

Advisory Function

Board's Recommendations

The Act provides that the Board may advise the Minister on any matters relating to the Plan. The Board's advisory functions are outlined in Section 9 of the Act which may be referenced in Appendix A to this report. Included as Appendix B is an overview of the Plan to put the Board recommendations on policy issues in context.

The Board's major recommendations to the Minister made in 1987 are outlined below. Unless otherwise noted, the Minister in responding to each recommendation has stated that the Board's view will be taken into consideration in the Department's ongoing review.

Contributions

Upon review of the March 31, 1985 actuarial valuation of the Plan, the Board recommended in February 1987 that pension contributions be increased at the rate of 1% per year for three years, and that the increase be shared equally between the employees and employers.

Pension Options

In review of earlier retirement permitted under the Canada Pension Plan effective January 1, 1987, the Board reviewed the co-ordinated pensions options available under the Plan. The Board considered no changes were necessary to the optional pension package currently available, and advised the Minister accordingly.

Division of Pension Benefits on Marriage Breakdown

In June 1987 the Board, together with the Boards of three other government administered pension plans, made recommendations for making division of pension benefits on marriage breakdown under the Plans easier and less costly. The recommendations were compatible with the proposals made by the Institute of Law Research and Reform.

Cost of Living Adjustments to Pensions

Currently cost of living adjustments (COLA) to pensions and deferred pensions are granted on an 'ad hoc' basis by the government. In December 1987, the Board recommended that COLA of 3.3% be granted effective January 1, 1988. The recommended adjustment was equal to approximately 75% of inflation. The actual adjustment was 2.5%.

Appendix A
Excerpts from the Act

The following excerpts of the Special Forces Pension Plan Act define the make-up and responsibilities of the Special Forces Pension Plan Board.

Establishment, composition, term of office, etc.

5 (1) There is hereby established a board known as the Special Forces Pension Plan Board.

(2) The Board shall consist of not fewer than 5 persons appointed members of the Board by the Lieutenant Governor in Council.

(3) The Lieutenant Governor in Council shall appoint 1 of the members of the Board from among participants and another from among persons nominated by the employers.

(4) A member of the board holds office for the term fixed in relation to him by the Lieutenant Governor in Council.

(5) The Minister may prescribe the remuneration and expenses to be paid to members of the Board.

(6) The Board may make rules respecting the calling of and the conduct of business at its meeting.

Chairman and Vice -Chairman

6 (1) The Lieutenant Governor in Council shall designate one of the members of the Board to be the chairman and another member to be the vice-chairman of the Board.

(2) The vice-chairman shall act as chairman when the office of chairman is vacant and when the chairman is absent or unable to act.

Support Services

7 The Minister shall provide such supplies, services and accommodation as he considers necessary to enable the Board to fulfil its objects.

Objects of the Board

8 The objects of the Board are

(a) to conduct the hearing of appeals under Part 6; [Appeals]

(b) to provide advice to the Minister under section 9;

(c) where appropriate, to extend time limits and treat benefit choices as revoked under section 10;

(d) to exercise and perform any other powers and duties assigned to it by this Act and the regulations;

(e) to perform any other duties relating to the Plan that are assigned to it by the Minister.

Advisory functions of the Board

9 The Board may advise the Minister respecting any matters relating to the Plan, including

(a) the adequacy of contributions to meet benefits,

(b) adjustments to pensions under section 27,

(c) rates of interest for the purposes of the Plan,

(d) benefits,

(e) reciprocal agreements,
(f) recognition of prior service,
(g) eligibility and participation in the Plan, and
(h) the actuarial tables prescribed or to be prescribed by the Minister.

Board's power to extend time limits, etc.

10(1) Where

(a) a person fails to meet a time limit under the Plan,

(b) the failure will or could result in a person's obtaining different benefits than those he would have obtained had the time limit been met, and

(c) the Board is satisfied that the failure results from circumstances that import no material fault on the part of that person,

the Board may, on application to it, extend the time limit.

(2) Where

(a) the circumstances set out in subsection (1)(a), (b) and (c) apply,

(b) the benefit has been received or has commenced to be paid, and

(c) the Board is satisfied that a choice, including a deemed choice, that would otherwise be irrevocable under section 40(2) could materially prejudice the best interests of the recipient or his dependants,

the Board may, on application to it, treat that choice as revoked, extend the time limit for making the choice and order any consequential adjustments in the benefits.

(3) Where

(a) a benefit choice has been made, and

(b) the Board is satisfied that

(i) the choice communicated to the Minister was not that which the person making the choice actually intended, and

(ii) the application mentioned in this section does not result from a change in a person's circumstances affecting the choice,

the Board may, on application made to it within 3 months from the date when the benefit was received or commenced to be paid, treat the choice as revoked, substitute for it the choice that, in the Board's opinion, the person originally intended to make and order any consequential adjustments in the benefits.

Appeal to the Board

35(1) A party aggrieved by a decision of the Minister under or in relation to Parts 2 to 5 [Participation, Contributions, Pensionable Service, Benefits] or the prescribed provisions of the regulations, other than a decision under section 32 [i.e. the entering into and terms of reciprocal agreements] or one that could be the subject matter of an application under section 10, may appeal against that decision to the Board.

(2) A party wishing to appeal to the Board under this section must serve the chairman of the Board with a notice of appeal in the form prescribed by the Minister within 30 days of being notified in writing of the decision appealed against or within such longer period as the Board may, on application, allow.

(3) The notice of appeal must specify the decision appealed against and the grounds of appeal.

(4) The Board may identify persons who may be interested in the appeal and may give directions as to the persons to be served with the notice of appeal, whether or not they are parties.

(5) For the purpose of conducting an appeal under this section, the Board

(a) has all of the duties, powers, privileges and immunities given to a commissioner appointed under the Public Inquiries Act by sections 3, 4, 7 and 9 of that Act, and

(b) shall be deemed to be a person for the purposes of section 1(a) of the Administrative Procedures Act.

(6) The Board may confirm, vacate or vary the decision appealed against.

(7) The Board shall serve the appellant and persons who received a notice of appeal with a copy of its decision, including the reasons for the decision.

Appeal to Court of Queen's Bench

36 (1) A party aggrieved by a decision of the Board under section 35 may, within 30 days of the date of service of the Board's decision on him or such longer period as the Court may allow, appeal to the Court of Queen's Bench on a question of law or jurisdiction.

(2) The procedure in an appeal to the Court of Queen's Bench shall be the same as that provided in the Alberta Rules of Court for applications by originating notice.

(3) The Court of Queen's Bench, on hearing the appeal, may confirm, vacate or vary the decision of the Board or make any order it considers just.

Appendix B
Overview of the Plan

Provisions

The terms of the plan are as specified in the Special Forces Pension Plan Act. The Plan is a contributory defined benefit plan with payment of all benefits guaranteed by the Government of Alberta. Employee and employer contributions are required, in aggregate, at 14% of salary.

Pension benefits are based on two per cent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. Benefits are integrated at age 65 with Canada Pension Plan benefits. The normal form of a pension is for the life of the member. If the pensioner has a spouse, the benefit payable to a surviving spouse is 65% of the pension that was payable to a pensioner. Optional forms of pension on an actuarial equivalent basis are available subject to the "spousal protection" provisions. Cost of living adjustments (COLA) to pensions may be granted on an ad hoc basis by the Government.

Normal pensionable age is 60. Members may retire at any time without reduction in the amount of pension at age 55 if five years of pensionable service has been accumulated, or at any age if at least 25 years of pensionable service has been accrued.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to 65% of the normal pension the member would have been entitled to and in certain cases takes into account potential service which would have accumulated had the member lived to age 60. A beneficiary other than a spouse must accept a lump sum benefit.

Membership Statistics

At March 31, 1987 there were 9 employers participating in the Plan, 2,493 active contributors and 273 pensioners. The average pension in payment was $1,979 per month to a former participant and $1,307 per month to a surviving spouse.

Pension Fund

The Pension Fund was established in 1981 by a transfer of $1,100 million from the General Revenue Fund. The Fund will help meet the costs of pension benefits being earned under the six plans administered and guaranteed by the province.

At March 31, 1986, the Pension Fund had assets of $3,023 million comprising a diversified portfolio of government and corporate bonds, money market securities, mortgages and equities.

For all plans in 1986-87, the contributions made by employers and employees exceeded the benefits paid by $138 million. In addition, the Fund earned $349 million in income, resulting in a net increase in fund equity of $487 million.

For the Special Forces Pension Plan, 1986-87 contributions of $14 million compared to disbursements of $6 million for a net transfer to the Fund of $8 million.

Actuarial Valuation

Independent actuarial valuations of the six government administered pension plans were conducted as at March 31, 1985.

The estimated accrued liabilities of all six plans were $6,443 million. These liabilities compare to Pension Fund assets of $2,570 million leaving an unfunded liability of $3,873 million as at March 31, 1985. The estimated accrued liability attributable to the Special Forces Pension Plan was $389 million as at March 31, 1985.

The normal actuarial cost of the Special Forces Pension Plan as a percentage of payroll was 26.4% using the attained age actuarial cost method. Using the unit credit actuarial cost method, the cost was 24.2% of payroll. These costs, based on the 1985 actuarial valuation, compare to combined employee and employer statutory contributions of approximately 14% of salaries.

The valuations assume ad hoc COLA will be granted annually equal to 75% of inflation. Costs associated with provision of COLA account for approximately 30% of the cost of the plans.